

Oklahoma's Education Funding Formula

February 6, 2018

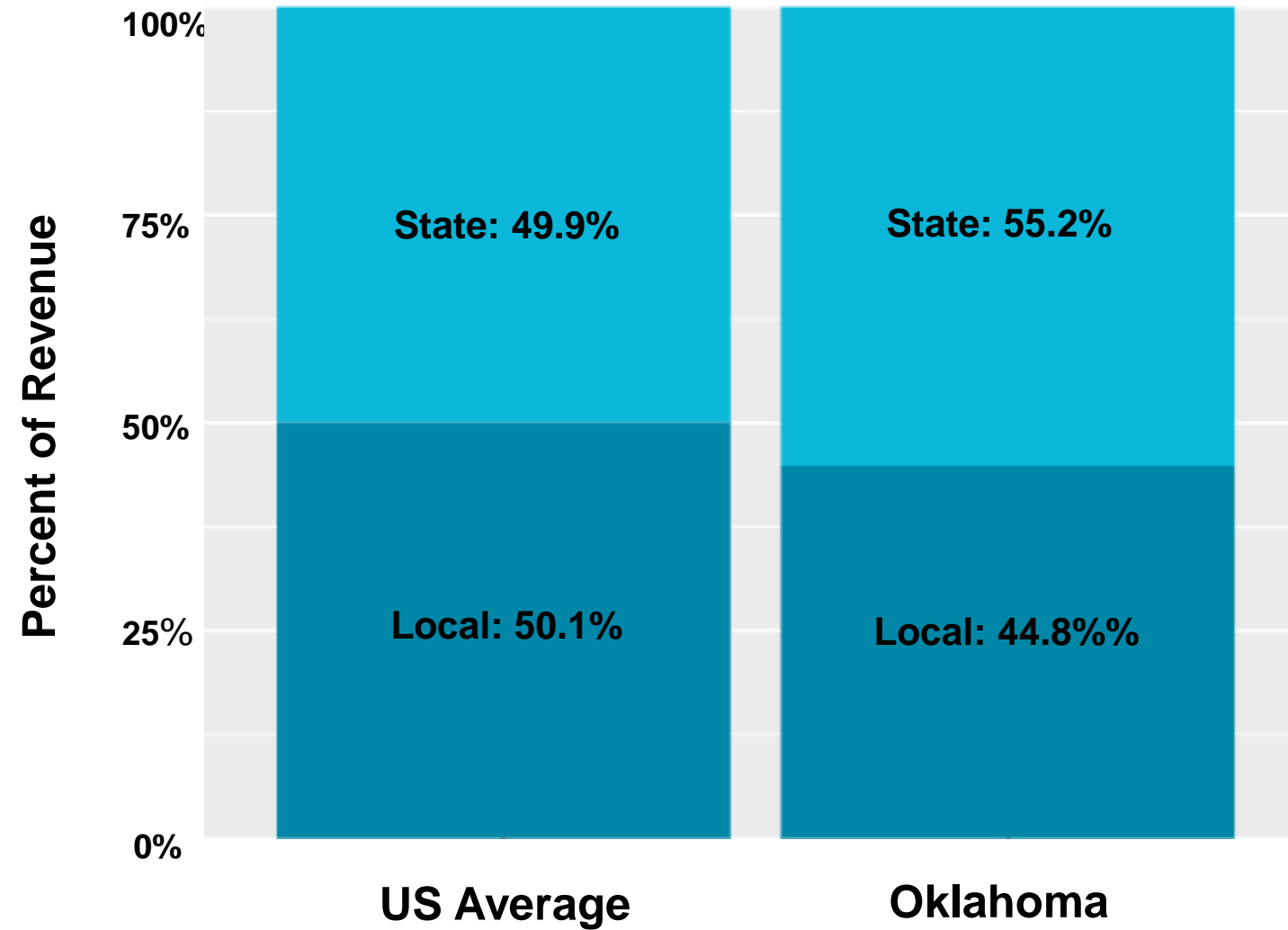
- EdBuild is a nonpartisan, 501c3 nonprofit. ***Our mission is to bring common sense and fairness to the way states fund public schools.***
- We divide our work into two discrete work streams: National Voice and State Engagement
 - **National Voice:** We elevate the national dialogue around the inequities created by current school finance systems.
 - **State Engagement:** We work directly with states to help rethink and modernize public school funding systems.
- Our primary strategy when engaging with states is to make funding simpler, fairer, more transparent, & reflective of student needs.

How we approach school funding

- **Targeting:** Target funding to districts serving a higher number of students with special needs (special education, low-income and English language learners).
- **Parity:** Provide comparable funding to districts serving students with similar characteristics.
- **Flexibility:** Empower district and school leaders with the flexibility to figure out what works best for their students.
- **Transparency:** Report on district and school spending in order to ensure a constant feedback loop between state funding and district need.

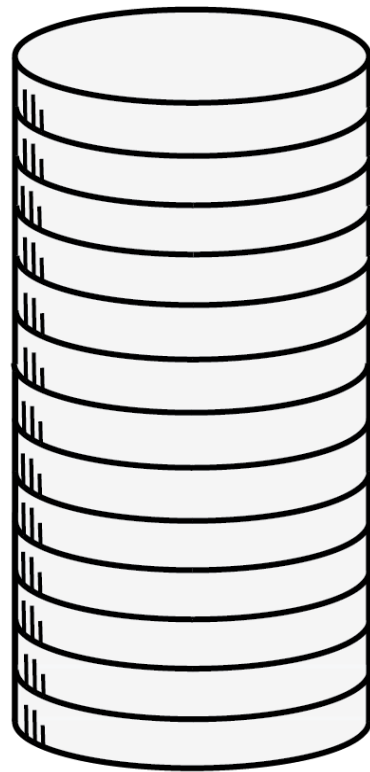
Oklahoma School Funding in the National Context

Sources of School Funding

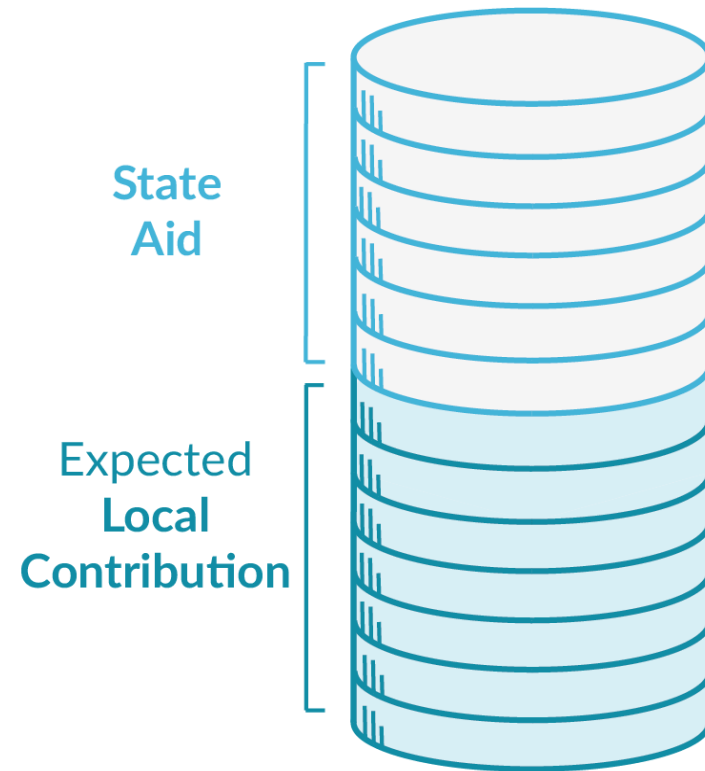


What Determines the State and Local Shares?

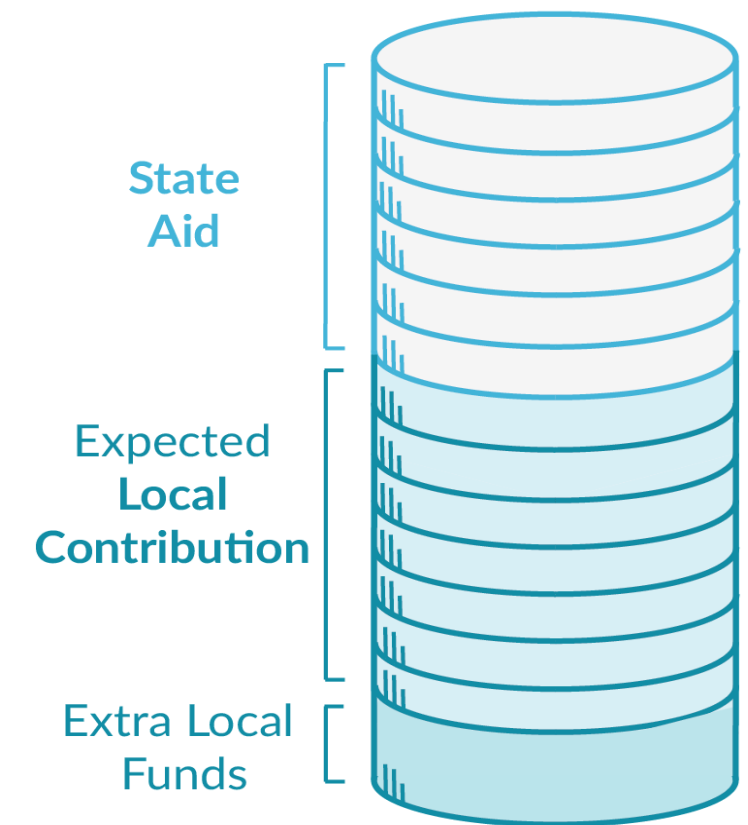
1. The state funding formula



2. The expected local share

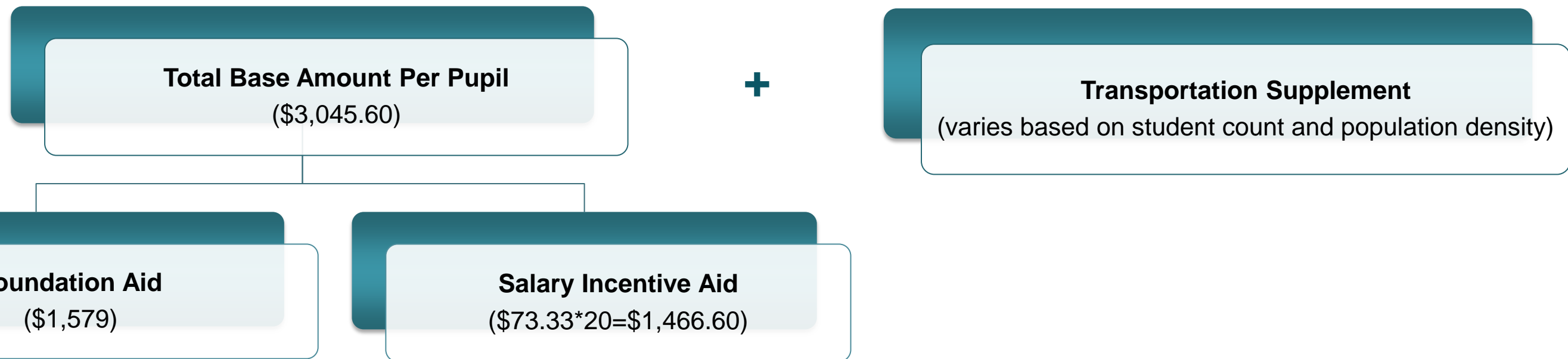


3. Local taxing rules



Oklahoma's Funding Formula in National Context

Oklahoma's funding formula has a unique structure:



Oklahoma's Funding Formula in National Context

Oklahoma's funding formula includes several common weights and adjustments:

- **Grade Level:** One of 30 states that differentiate funding by grade level.
- **Special Education:** One of 46 states that provide additional resources for special education, and one of 17 whose special education funding system includes multiple student weights.
- **Economic Disadvantage:** One of 40 states that provide additional resources for students from low-income households.
- **English-Language Learners:** One of 45 states that provide additional resources for ELL students or ESOL/bilingual instruction.
- **Gifted:** One of 32 states that provide additional resources for gifted and talented students or gifted/accelerated programs.
- **Sparsity and Size:** One of 33 states that provide additional resources for sparse districts or small schools, either directly or through their transportation systems.

Oklahoma's Funding Formula in National Context

Eligibility for Weighted Student Categories

- **Economic Disadvantage:** Students are counted as economically disadvantaged if they are eligible for free or reduced-price lunch under the National School Lunch Program.
- **English-Language Learners:** Students are considered “bilingual” if they indicate on a home language survey that another language is spoken in their homes, and in some cases, if they are assessed as eligible for ELL service.
- **Gifted:** Students are classified as gifted based on standardized test scores, teacher referrals, or demonstrations of ability.
- **Special Education:** Students are eligible for different levels of funding based on their diagnoses. The state funding system currently lists weights for 13 different disabilities and applies funding weights for students in the disability categories.

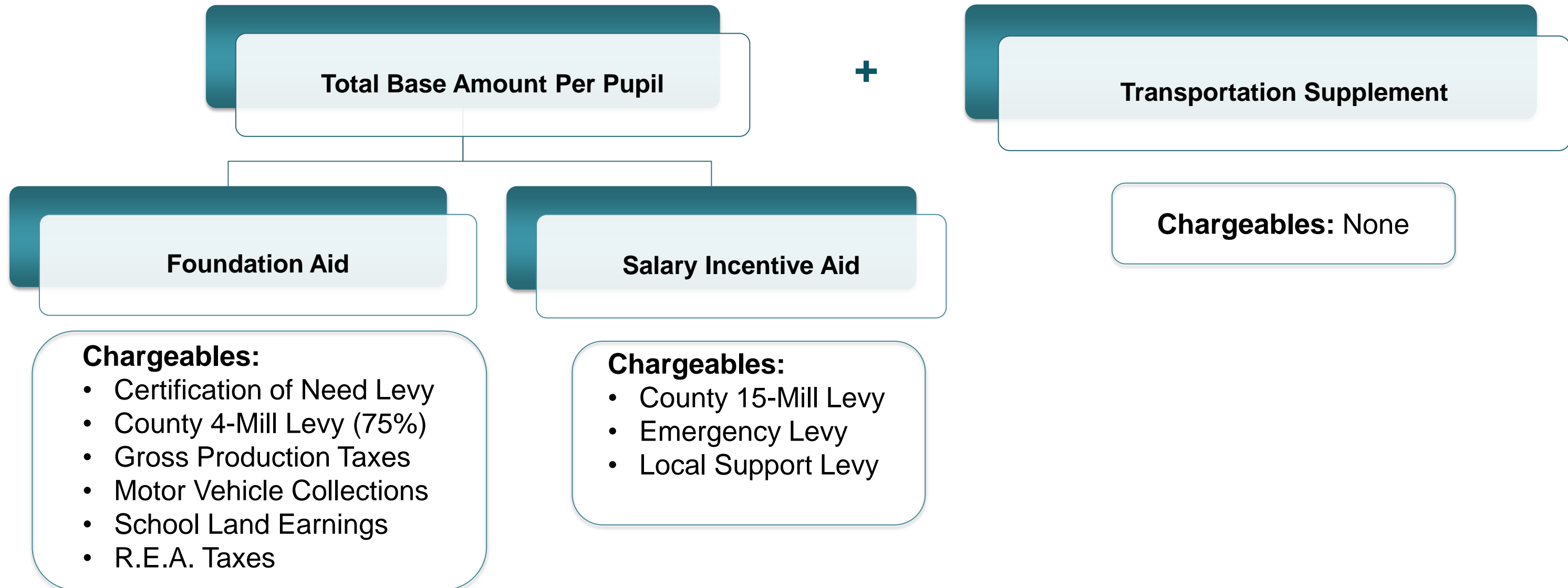
Oklahoma's Local Share in National Context

Oklahoma is one of 41 states where property tax revenues and the property tax base determine part or all of the local share.

The property taxes that count toward the funding formula in Oklahoma are:

Name	Levying Authority	Amount
Certification of Need	Board of Education	15 mills (maximum)
County 4-mill Levy	Constitutional	4 mills (minimum/maximum)
County 15-mill Levy	County Excise Board	5 mills (minimum)
Emergency Levy	Majority of voters in annual school election	5 mills (maximum)
Local Support Levy	Majority of voters in annual school election	10 mills (maximum)

Oklahoma's Local Share in National Context



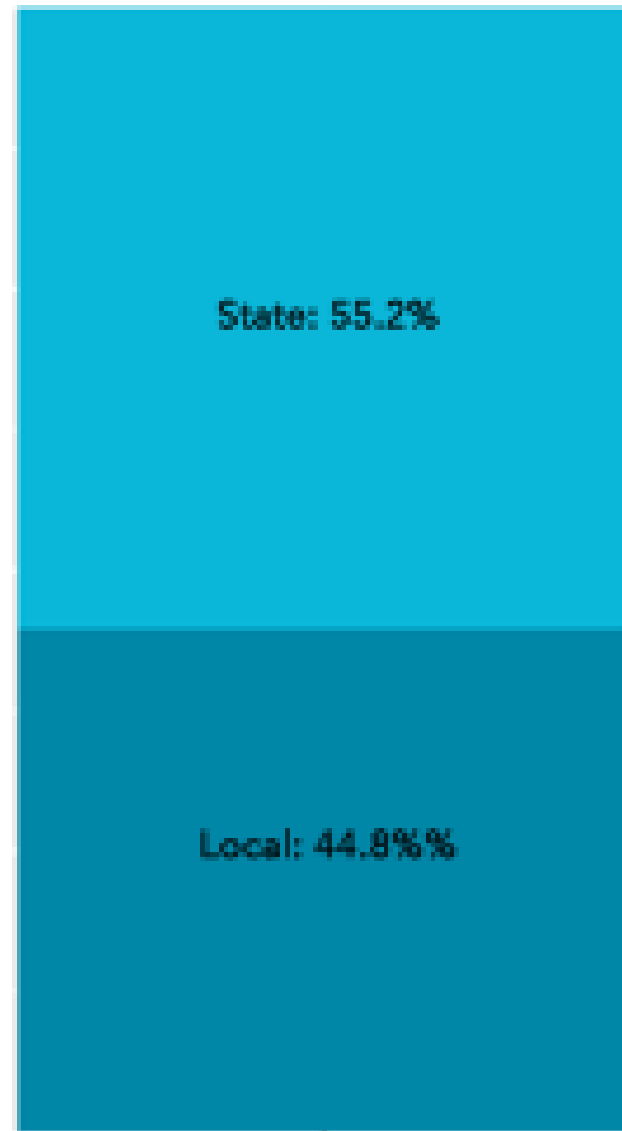
Oklahoma's Local Taxing Rules in National Context

- **Oklahoma's Constitution both authorizes and limits all five property taxes that are levied for school operations.**
- **A maximum of 39 mills total may be levied by both district and county for these purposes.**
- **Oklahoma is one of 17 states with a strict cap on the number of local mills that may be levied for education.**
- **Local millage caps work both to increase equity and to constrain the overall amount of funding in the system.**

Oklahoma's Local Taxing Rules in National Context

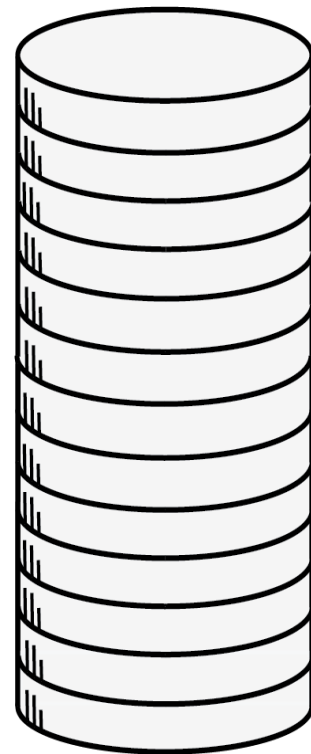
- **There is no legal minimum number of mills that can be levied by school districts.**
- **Because funding is so limited, all districts and counties levy the maximum number of mills as a matter of course. This includes the “emergency levy,” which is used for routine operations.**
- **Taken together, the revenue constraints at the state level and the limits on local levies give districts no recourse to address shortfalls.**

Impact of School Funding Policies

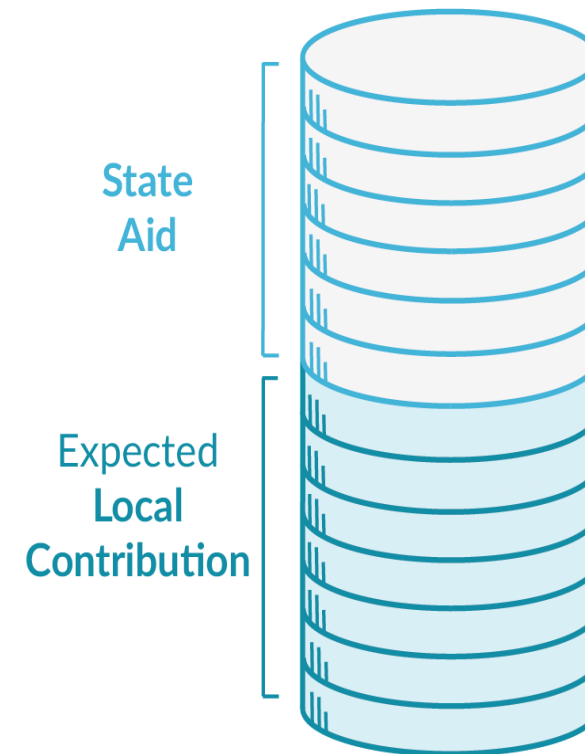


Oklahoma

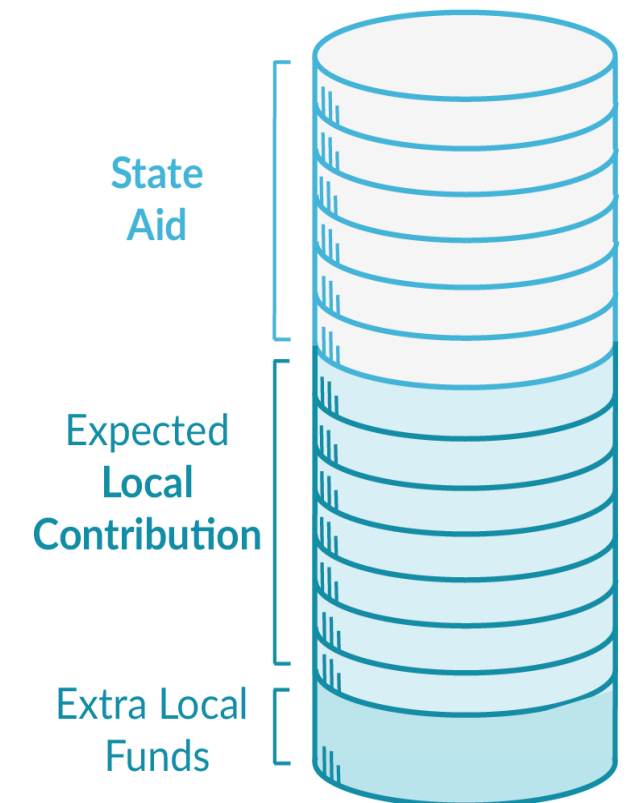
1. The state funding formula



2. The expected local share



3. Local taxing rules



Recommendations for Reform

- Nationwide problem: Community Eligibility Provision (CEP) has undermined FRL as an effective measure of economic disadvantage
- Common alternatives
 - Direct certification (SNAP, TANF, FDPIR, Medicaid)
 - Census poverty, rolling average

Recommendation 1: Update count to address CEP, and increase the current weight of .25 to account for lower identification rates

- Disability categories in state law are outdated
- Some categories, such as autism and TBI, are missing completely

Recommendation 2: Update categories to align with federal standards

- Also consider tiers to decrease number of weights

State Category	Weight	Federal Category Equivalent
Trainable Mentally Handicapped	1.3	Intellectual disability
Educable Mentally Handicapped	1.3	
Multiple Handicapped	2.4	Multiple disabilities
Physically Handicapped	1.2	Orthopedic impairment, OHI
Vision Impaired	3.8	Blind/visual impairment
Learning Disabilities	0.4	Specific learning disability
Deaf or Hard-of-Hearing	2.9	Deafness, Hearing impairment
Deaf and Blind	3.8	Deaf-blindness
Emotionally Disturbed	2.5	Emotional disturbance
Speech Impaired	0.05	Speech or language impairment
No Direct Equivalent in Law	2.4	Autism
No Direct Equivalent in Law	2.4	Traumatic brain injury
No Direct Equivalent in Law	Not clear	Developmental delay

- The education formula uses both Average Daily Attendance (ADA) and Average Daily Membership (ADM) for counts
- School districts must pay for all students enrolled, they should receive funds based on the same metric

Recommendation 3: Move to ADM count, exclusively

Sub-recommendation: The policy of unenrolling students who have been suspended should be rescinded

- Current method of identifying gifted students is arbitrary and inequitable
- Gifted weight of .34 is higher than both bilingual and economically disadvantaged (.25)

Recommendation 4: Move to a census count (i.e., all districts assumed to have average number of gifted students)

Recommendation 5: Decreased gifted weight to better align with other demographics

- Oklahoma currently uses a “bilingual” designation for students requiring language services
- Does not actually count students that require language services

Recommendation 6: Move to a count that more accurately measures a student’s need for English-language support

1. What is the dominant language most often spoken by the student? _____
2. What is the language routinely spoken in the home, regardless of the language spoken by the student? _____
3. What language was first learned by the student? _____

Small Schools and Isolation Weight

- Small/isolated school districts have higher costs for a litany of reasons at no fault of their own—an issue of particular concern in Oklahoma
- The current funding mechanism to accommodate these costs is hyper complicated and opaque

Recommendation 7: Simplify the calculation so it is easier to understand, while being careful not to lose responsiveness

- The transportation supplement may provide a guide for achieving this balance

Collapse into Single Formula

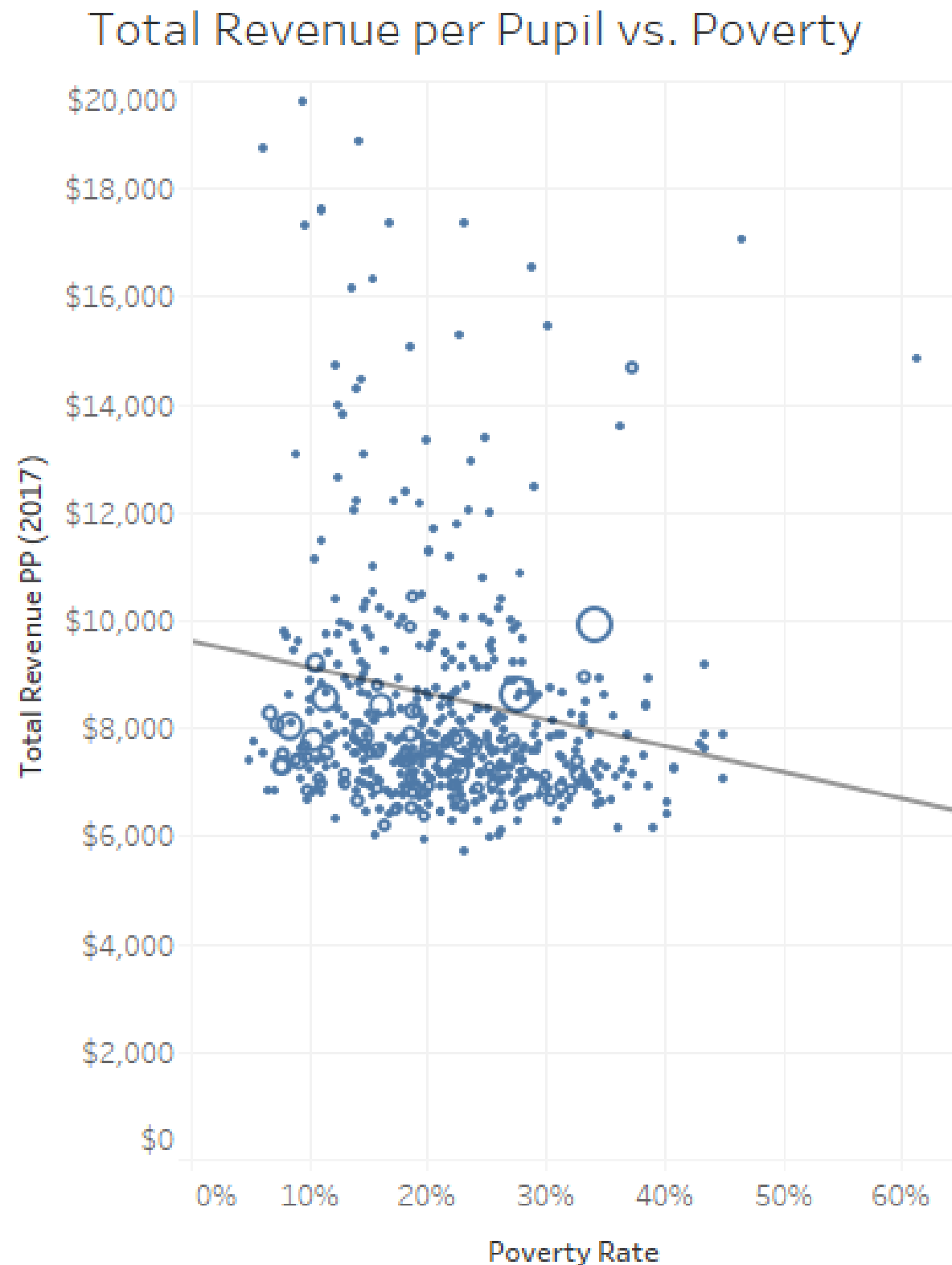
- One major benefit of a weighted student formula is transparency; the current 3-part funding structure runs counter to that
- Foundation Aid formula is still the most responsive and equitable

Recommendation 8: Collapse Salary Incentive Aid into Foundation Aid

- Transportation Supplement may be worth considering, but only if small schools/isolation weight is also adjusted to accommodate the change

Components	Chargeables
Foundation Aid (\$788,579,996)	15 Local Mills 3 County Mills School Land Gross Production Motor Vehicle REA Tax
Salary Incentive Aid (\$1,051,318,984)	20 Local Mills
Transportation (\$26,380,480)	None

- The fundamental design of Oklahoma's education funding is strong on equity
- These values, while laudable and worth maintaining, inhibit local districts from adjusting to changing conditions
- Baked into the design of the system is an assumption that the state covers the gap between 1) local receipts and 2) what is necessary to run high-quality schools within each community



- On average, total revenue decreases as poverty increases (by about \$50 per 1% increase in poverty)
- Increase of local funding cap could be part of a larger solution, but insufficient alone

Recommendation 9: Review current state funding levels and adjust according to priorities

Recommendation 1: Update count to address CEP, and increase the current weight of .25 to account for lower identification rates

Recommendation 2: Update categories to align with federal standards

Recommendation 3: Move to ADM count, exclusively

Recommendation 4: Move to a census count (i.e., all districts assumed to have average number of gifted students)

Recommendation 5: Decreased gifted weight to better align with other demographics

Recommendation 6: Move to a count that more accurately measures a student's need for English-language support

Recommendation 7: Simplify the calculation so it is easier to understand, while being careful not to lose responsiveness

Recommendation 8: Collapse Salary Incentive Aid into Foundation Aid

Recommendation 9: Review current state funding levels and adjust according to priorities

